

Message Text

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EB-08 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
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USOECD

E.O. 11652: GDS
TAGS: EAID, EFIN, BM
SUBJECT: SECOND BURMA AID GROUP MEETING, PARIS,
FEBRUARY 1, 1978

1. SUMMARY: THIS SECOND MEETING PROVIDED USEFUL FORUM
FOR EXCHANGE OF VIEWS BETWEEN DONORS, IFIS AND GUB.
WHILE LATTER DID NOT ANSWER ALL QUESTIONS RAISED, MOST
DONORS APPEARED SATISFIED, SOME INDICATING POSSIBLE
INCREASES IN THEIR PROGRAMS. BURMESE EXPRESSED APPRECI-
ATION FOR U.S. STATEMENT AND CORRIDOR CONVERSATIONS WITH
USDEL. IBRD PROPOSED, WITHOUT OBJECTION, A THIRD AID
GROUP MEETING IN A YEAR. END SUMMARY

2. SUBJECT MEETING DEVOTED FULL DAY TO BURMESE AND IBRD
PRESENTATION OF BURMESE ASSISTANCE REQUIREMENTS AND
STATEMENTS BY IFIS, DONORS AND OTHER OBSERVERS (I.E.,
OECD, EEC AND FINLAND). MINISTER U TUN TIN SUMMARIZED
THE BURMESE FIVE YEAR DEVELOPMENT PLAN AND THE UPCOMING
THIRD FOUR YEAR PLAN BUT NEVER RELATED THE TWO, ALTHOUGH
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IBRD MEETING CHAIRMAN BLOBEL DECLARED THAT LATTER WAS
BASIS FOR FORMER. BLOBEL STRESSED THREE MAIN AREAS TO
WHICH GUB SHOULD GIVE CONTINUED, IF NOT GREATER ATTEN-
TION: (A) FURTHER RATIONALIZATION OF PRICING POLICIES;
(B) SHARPENING DEVELOPMENT STRATEGY (I.E. EXPORT EXPAN-
SION, IMPROVED INFRASTRUCTURE); (C) IMPLEMENTATION OF
FISCAL AND MONETARY REFORMS OF 1976. BLOBEL CONCLUDED BY

STRESSING GUB NEED FOR BETTER GOVERNMENTAL COORDINATION, BETTER TRAINED STAFF AND STREAMLINED ADMINISTRATIVE PROCEDURES.

3. U TUN TIN, AFTER APOLOGIZING AT LENGTH FOR POSTPONEMENT OF THIS SECOND AID GROUP MEETING, SAID HIS PROGRAM HAS FOUR MAIN ELEMENTS: AGRICULTURAL DEVELOPMENT, TRANSPORT IMPROVEMENT, EXPORT EXPANSION AND IMPORT LIBERALIZATION. RECENT REDUCTION IN BURMESE INFLATION WAS STRESSED. HE GAVE HIGH PRIORITY TO FERTILIZER AND PESTICIDE PROJECTS NEEDED TO MEET INCREASING FARMER DEMAND. GUB INDUSTRIAL PLAN IS TO GIVE PRIORITY TO EXPORT PROMOTION. HOWEVER, AGRICULTURE IS STILL THE MOST IMPORTANT SECTOR; IT NEEDS MODERNIZATION AND CROP DIVERSIFICATION. IT ALSO REQUIRES FERTILIZER AND GRAIN-PROCESSING AGRO-INDUSTRIES. U TUN TIN DECLARED GUB NEEDS BALANCE OF PAYMENTS ASSISTANCE FOR PROGRAM SUPPORT FOR FOUR TOP PRIORITY PROJECTS: FERTILIZER, ROAD TRANSPORT (SPARE PARTS, TRUCKS AND BUSES), ALUMINUM AND ZINC INGOTS TO MANUFACTURE FARM TOOLS, AND RIVERINE TRANSPORT.

4. U TUN TIN DECLARED BURMA MUST STILL DEPEND ON RICE EXPORTS TO COVER IMPORTS BUT HOPES TO DEVELOP NEW EXPORTS IN CRUDE OIL, MARINE PRODUCTS AND WOOD PULP, AND IDENTIFIED THESE AREAS AS POSSIBILITIES FOR PRIVATE FOREIGN INVESTMENT. WHILE DENYING PROGRAM WAS OVERLIMITED OFFICIAL USE

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AMBITIOUS, HE NOTED A FOREIGN EXCHANGE GAP OF \$260 MILLION PER YEAR OVER NEXT FIVE YEARS.

5. IN CONCLUSION, U TUN TIN ASSURED THE GROUP THE NEW BURMESE CABINET (TO BE FORMED IN MARCH) WOULD IMPLEMENT THE PLAN HE HAD DESCRIBED.

6. THEN CAME A SERIES OF STATEMENTS PREPARED BY IMF, FRG, UK, FRANCE, US, JAPAN, CANADA AND AUSTRALIA. THE IMF, FRG AND AUSTRALIA MADE POSITIVE STATEMENTS BUT THE REMAINDER, WHILE EXPRESSING SYMPATHY AND SUPPORT, POSED QUESTIONS, SOME OF WHICH (PARTICULARLY THE CANADIAN) WERE RATHER CRITICAL. MOST OF THE QUESTIONS RELATED TO IMPLEMENTATION OF EXISTING PROGRAMS, THE ROLE OF PRIVATE ENTERPRISE CONTEMPLATED, POSSIBILITIES FOR FOREIGN INVESTMENT AND THE RELATIONSHIP OF THE FIVE YEAR PROGRAM TO THE THIRD FOUR YEAR PLAN.

7. WE ENDED THE U.S. STATEMENT AS FOLLOWS: "WHAT WE LEARN HERE WILL PLAY AN IMPORTANT PART IN ANY FUTURE DECISIONS WITH RESPECT TO THE PROSPECTS FOR MUTUALLY SATISFACTORY ECONOMIC DEVELOPMENT COOPERATION BETWEEN THE

UNITED STATES AND BURMA." (AT RECEPTION AFTER

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CONCLUSION OF MEETING USDEL LEADER INFORMED DEPUTY MINISTER MAUNG SHEIN THAT USG WILL REVIEW RESULTS THIS MEETING AND HOPES TO SEND AID OFFICER TO BURMA IN NEXT FEW MONTHS TO INVESTIGATE PROJECTS WHICH MIGHT BE MUTUALLY ACCEPTABLE. ALSO, IBRD PRESS RELEASE FOR THIS SECOND MEETING INCLUDES FOLLOWING: "SINCE ESTABLISHMENT OF BURMA AID GROUP IN NOVEMBER 1976, COMMITMENTS BY ITS MEMBERS AMOUNTED TO OVER \$200 MILLION. IN ADDITION, SOME MEMBERS WHO HAD NOT PREVIOUSLY PROVIDED ASSISTANCE TO BURMA HAVE SINCE BEGUN TO EXPLORE WITH THE GOVERNMENT THE POSSIBILITY OF THEIR PARTICIPATION IN ITS DEVELOPMENT EFFORTS."

8. THROUGH THE REST OF THE MEETING THERE WAS HEAVY EMPHASIS BY THE WORLD BANK AND GUB ON THE NEED FOR COMMODITY ASSISTANCE. ALTHOUGH THIS WAS NOT A PLEDGING SESSION, SOME DELEGATES INDICATED PROSPECTIVE PLANS FOR FUTURE ASSISTANCE. UNDP REP. NOTED BURMA COULD EXPECT RECEIVE \$70 MILLION FROM UN ORGANIZATIONS OVER NEXT FOUR YEARS. ADB REP. GAVE POSITIVE STATEMENT OF SUPPORT FOR
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BURMA NOTING ADB LOANS OF \$163.8 MILLION ALMOST EQUALS TOTAL PROVIDED BY WORLD BANK TO BURMA. MEETING ENDED LATE IN AFTERNOON WITH GUB DELEGATES EXPRESSING PRIVATELY AND PUBLICLY THEIR SATISFACTION WITH THE RESULT OF THIS SECOND MEETING. IBRD CHAIRMAN BLOBEL INDICATED WORLD BANK WOULD RAISE ITS ANNUAL LEVEL OF AID TO BURMA TO \$60 MILLION PER YEAR. HE ALSO WAS PLEASED WITH RESULTS AND PROPOSED A THIRD MEETING IN A YEAR'S TIME; THERE WERE NO OBJECTIONS.

9. COMMENT: GUB STATEMENTS WERE DISAPPOINTINGLY VAGUE AND BURMESE FAILED TO RESPOND TO MOST QUESTIONS. US STATEMENT AND QUESTIONS BLENDED SURPRISINGLY WELL WITH THOSE OF OTHER DONORS (JAPAN, UK, FRG, FRANCE AND CANADA). PRIVATELY MOST DELEGATIONS EXPRESSED CONCERN ABOUT THE SLOW BURMESE IMPLEMENTATION OF THEIR PROGRAMS, AND ITS ABSORBATIVE CAPACITY, YET ALL STILL EXHIBITED A CERTAIN OPTIMISM REGARDING BURMESE DEVELOPMENT AND INDICATED THEIR PROGRAMS WOULD CONTINUE, IF NOT EXPAND. IN SHORT, WE BELIEVE THIS SECOND AID GROUP MEETING PROVIDED A MUTUALLY USEFUL EXCHANGE OF VIEWS FOR ALL PARTICIPANTS. THE BURMESE THANKED US FOR OUR PARTICIPATION. AN IBRD SOURCE SAID BURMESE AT BEGINNING OF WEEK WERE EXCEEDINGLY NERVOUS ABOUT THIS MEETING, BUT AT ITS CONCLUSION WERE HAPPY WITH THE RESULTS. BURMESE CENTRAL BANK GOVERNOR INFORMED US HE WAS VERY PLEASED WITH MEETING AND COULD RETURN TO RANGOON WITH CONFIDENCE.
KATZ

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